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Businessmen's Expectations

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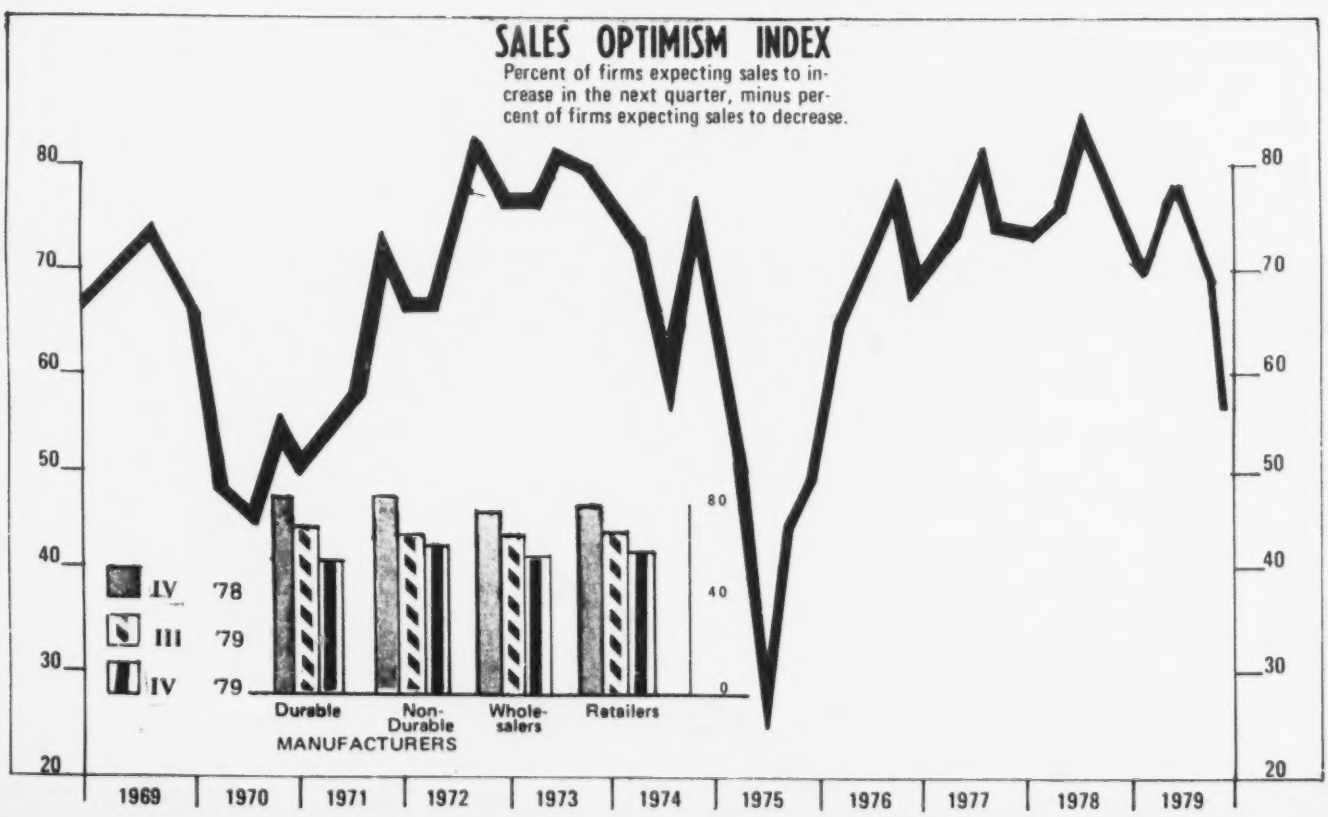
BUSINESS OPTIMISM DROPS TO FOUR-YEAR LOW IN LATEST DUN & BRADSTREET SURVEY

NEW YORK, October 18--Business confidence about sales and profits prospects took the steepest drop in four years in Dun & Bradstreet's latest Survey of Business Expectations. However, among the 1,483 executives interviewed about their outlook for the fourth quarter of 1979, optimism still did not plunge to the low ebbs reached in 1970 and in 1974-75.

In regard to sales, the sag in confidence began in the previous survey and accelerated in the current one. On the other hand, the outlook on profits had held relatively firm a quarter earlier but sank sharply in the latest survey. Meantime, the business leaders did not change their sights appreciably on either inventories or employment.

The Sales Optimism Index (the percentage expecting increases minus the percentage expecting decreases) fell 13 points to 56 from 69 in the previous quarter and sank 23



points from the comparable fourth quarter a year ago. Manufacturers of durable goods showed the greatest loss of optimism, 15 points from the preceding survey, and manufacturers of non-durable goods the least, 7 points. Over-all, the business executives remained more confident than in 1975's final quarter when the index sank to 48. But, retailers were even less cheerful than they had been in that depressed period.

When asked to predict the trend in new orders for the wind-up quarter of 1979, some 57 per cent looked for an increase as against 67 per cent a quarter earlier and 75 per cent a year earlier. In fact, it was the gloomiest view on bookings since the third quarter of 1975. Furthermore, there was a close consensus between durable goods makers and non-durable goods makers on this point.

The outlook of the business executives about the bottom line dimmed abruptly after maintaining quite a rosy glow in the previous survey. The Profits Optimism Index plunged 21 points to 40 and, like the reading on sales, hit the lowest level in four years. Retailers' ebullience about profits faded most, waning 23 points.

Expectations of inventory build-ups changed very little, with 52 per cent anticipating a rise, virtually the same proportion as in the first and third quarters this year and not far below the 56 per cent in the corresponding quarter last year. However, a slight tendency appeared for a shift from foreseeing a steady inventory level to foreseeing a curtailment. Among retailers, 19 per cent predicted a cutback in stocks as against 11 per cent in the previous survey.

On payroll rosters, the executives held close to their previous projections in the latest round of interviews. Twenty per cent expected an increase in employees, just 2 points under the proportion in the third quarter. Steadiness prevailed in all categories except wholesaling where the number expecting to add to payrolls shrank to 14 per cent, the least since '75. As usual, durable goods manufacturers were the most optimistic as 27 per cent looked for an increase in employees.

For the first time since the start of the year, the number of business leaders anticipating price hikes diminished a notch, from 82 to 80 per cent.

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3. BUSINESSMEN'S EXPECTATIONS

SURVEY OF BUSINESSMEN'S EXPECTATIONS
Conducted by Dun & Bradstreet

WHAT BUSINESSMEN EXPECT FOR THE
FOURTH QUARTER OF 1979 COMPARED WITH THE FOURTH QUARTER OF 1978

(Interview Period: August 6-17, 1979)

			All Concerns	Total Manufacturers	Manufacturers Durables	Manufacturers Non-Durables	Wholesalers	Retailers
	Number Reporting		1483	697	473	224	470	316
Net Sales	Per Cent Reporting	(Increase	68	68	68	68	68	69
		(No Change	20	21	19	25	20	20
		(Decrease	12	11	13	7	12	11
	Number Reporting		1458	680	462	218	468	310
Net Profits	Per Cent Reporting	(Increase	55	57	58	55	54	53
		(No Change	30	29	28	33	31	31
		(Decrease	15	14	14	12	15	16
	Number Reporting		1474	690	471	219	469	315
Selling Prices	Per Cent Reporting	(Increase	80	76	77	76	83	82
		(No Change	17	21	21	21	15	15
		(Decrease	3	3	2	3	2	3
	Number Reporting		1464	689	472	217	463	312
Level of Inventories*	Per Cent Reporting	(Increase	52	50	52	47	54	53
		(No Change	33	35	33	37	33	28
		(Decrease	15	15	15	16	13	19
	Number Reporting		1483	701	477	224	469	313
Number of Employees*	Per Cent Reporting	(Increase	20	25	27	19	14	19
		(No Change	73	67	64	75	81	75
		(Decrease	7	8	9	6	5	6
	Number Reporting			643	442	201		
New Orders	Per Cent Reporting	(Increase		57	57	56		
		(No Change		31	29	36		
		(Decrease		12	14	8		

*End of Quarter.